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conservatives will close ranks at least until the budget passes the Diet.

Even those party leaders who remained loyal to Kishi during the recent crisis tend to doubt that he can last out his two-year term as party president. Rival leaders may temporarily refrain from overt attacks on Kishi for the sake of party unity, but he will nevertheless have to move cautiously on controversial issues to avoid any further crises.

Kishi faces strong attacks from the Socialists in the current Diet session, including possible charges of his involvement

in reparations scandals. He must weather these attacks and bring his party through local elections this spring and upper house elections in June unimpaired to preclude a resumption of the dissidents' challenge to his leadership.

Indicative of Kishi's need to compromise his policies because of the party factionalism is his willingness to relax his previous "firm" policy toward Peiping. Both Kishi and Foreign Minister Fujiyama have expressed a desire to undertake government-to-government talks with Communist China to break the trade impasse which has existed since May 1958.

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MEXICAN-GUATEMALAN DISPUTE

Mexico's severance of diplomatic relations with Guatemala on 23 January arose from a shrimp boat incident which Guatemalan President Ydigoras now is exploiting for domestic political capital. There is no confirmation of charges by Ydigoras that Mexican forces are massing on the frontier. Further incidents could result from Guatemalan Air Force reconnaissance flights along the border.

The dispute grew out of the strafing of Mexican shrimp boats by Guatemalan planes on

31 December. The boats may well have been within three miles of Guatemala's Pacific coast, where Americans and Mexicans often fish for the shrimp which are found usually close to the shore. Mexico's strongest argument is that the strafing, in which three fishermen were killed and 14 injured, was not justifiable "police action," as claimed by Ydigoras.

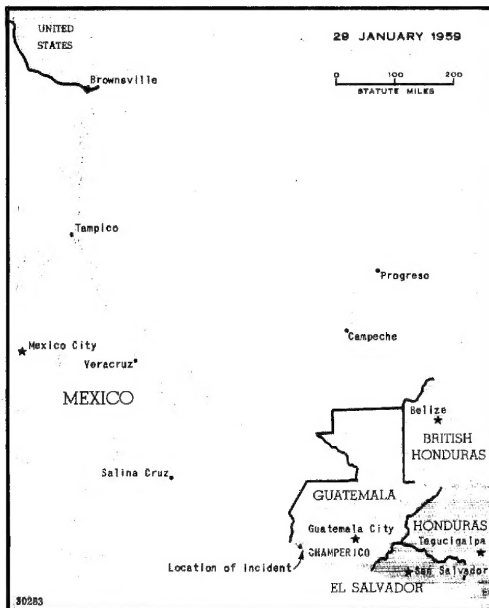
The Guatemalan President's intransigence in subsequent negotiations appears to be primarily a nationalistic move designed to strengthen his domestic

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political situation. Mexican President Lopez Mateos said when he suspended relations that further diplomatic exchanges were impractical be-



cause of Ydigoras' complete rejection of proposals--including one to submit the issue to the International Court of

Justice--and his refusal to offer alternatives.

Ydigoras on 26 January protested to the United Nations and the Organization of American States an alleged reinforcement of Mexican border forces. The American Embassy in Mexico City can find no evidence of troop movements, which, if on the scale claimed by Ydigoras, would be difficult to hide. However, existing forces in the area have increased their patrols.

Trade and border traffic between the two countries continues and Mexico appears genuinely determined to settle the issue peacefully, despite inflammatory attacks on Ydigoras by Guatemalan exiles in Mexico and by nationalistic Mexican newspapers and labor groups.

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FIDEL CASTRO'S ATTACKS ON UNITED STATES

Fidel Castro, who apparently plans eventually to visit a number of Latin American countries, bitterly attacked the United States in his many speeches during a triumphant trip to Venezuela from 23 to 27 January. He called on the Latin American "democratic" nations to form a common front against the "encroachment of alien interests" and to seek the overthrow of the remaining Latin American dictators.

Before wildly cheering crowds in Caracas on 24 January he charged the United States with intervening in Cuba in

favor of compliant dictators ever since the country became independent. He claimed that even now "international monopolies," which he identifies with the United States, are campaigning to discredit the revolutionary government of Cuba. The US military missions in Latin America were established, he charged, to protect the dictators and make them more effectively serve the interests of the United States. His earlier attacks on the US Army, Navy, and Air missions in Cuba led the Cuban Government on 24 January to officially request the removal of the missions.

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Castro has made a very strong impression on his Venezuelan audiences. His attacks on the United States were invariably applauded, and the Communists, as well as other groups in Venezuela, are now attempting to exploit his popularity there. The US Army mission in Venezuela is again under strong attack in the Communist press. More responsible Venezuelans fear the effect Castro's visit may have on orderly political development in Venezuela.

Castro has announced that, while he will not lead, he certainly intends to support, revolutionary groups intent on ousting the three remaining regimes in Latin America. He considers dictatorships: those in the Dominican Republic, Nicaragua, and Paraguay. He

considers the Organization of American States a "worthless organization"; he has also joined Venezuelan President-elect Betancourt in urging that it eject dictatorial regimes which are members.

The policy of materially aiding revolutionary opposition to the "dictators" apparently has wide support among Venezuelan leaders also. When Castro, at a university meeting in Caracas on 24 January began a collection to finance the overthrow of Trujillo in the Dominican Republic, Admiral Larrazabal, former Venezuelan junta chief, was prominent among those in the audience in donating.

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SPAIN'S ECONOMIC PLIGHT

The Spanish economy is approaching a stage of financial crisis as a result of the Franco regime's continued failure to take realistic remedial measures. In mid-January, Commerce Minister Ullastres visited Paris to request financial assistance from the OEEC at the earliest possible date. During 1958, Spain's imports exceeded exports by some \$300,000,000, and even with extensive American aid in this period its gold and foreign exchange reserves now are exhausted. Ullastres informed the OEEC that his government had decided to modify the entire economic system, including present credit and investment policies, the import system, and the exchange rate.

The OEEC is not likely to extend aid until the Spanish

Government has undertaken very comprehensive changes, involving a radical reform of the exchange system coupled with stringent internal financial measures, in order to prevent a foreign exchange crisis. There is no indication that the rest of Franco's cabinet shares Ullastres' sense of urgency; in fact some members are opposed to any kind of retrenchment.

Catalan textile manufacturers are already complaining that lack of domestic outlets for their goods will soon force them to shut down. Unemployment continues to rise in that area, and plans are reportedly being made for a 24-hour strike this spring. If economic conditions deteriorate further, as seems likely, strikes could also break out in other parts of the country.

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Meanwhile, renewed inflationary pressures are further boosting the cost of living. By last October the Madrid index had risen to 141 from a base of 100 two years before, and various food prices have risen sharply in the past three months. Despite Ullastres' public statement on 25 January that the peseta would not be devalued, rumors that such action is imminent and will lead to further price increases are exacerbating popular discontent.

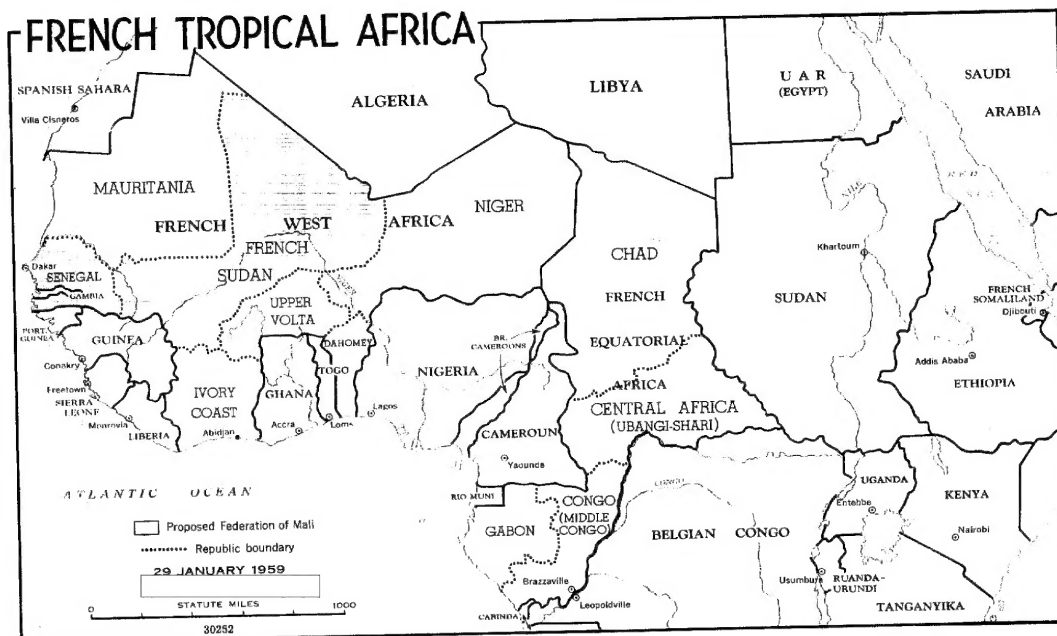
The regime has already incurred much opprobrium because of its soft-pedaling of the financial scandal uncovered in December, which involved many prominent Spaniards in illegal foreign exchange transactions in Switzerland, and its alleged negligence in the recent bursting of a dam in northern Spain which cost 150-200 lives. These two developments reinforce public belief that the regime is corrupt and ineffective.

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WEST AFRICANS CREATING NEW REGIONAL FEDERATION

The approval on 17 January by African leaders representing Senegal, French Sudan, Upper Volta, and Dahomey of a draft constitution providing for a meaningful federal regime reflects the growing urge among politically conscious Africans for greater unity. Popular

endorsement of the new grouping, to be called the "Federation of Mali" after an ancient, semilegendary African empire, is expected within a few weeks. The assemblies of Senegal and French Sudan overwhelmingly approved the draft constitution on 21 and 22 January, thereby



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completing the adoption procedure, and eliminating in these two states the need for a popular referendum which had been scheduled for 22 February.

The new federation would include four of seven autonomous West African "republics" which opted to join the new French Community and some 60 percent of the approximately 19,000,000 inhabitants of former French West Africa. Its draft constitution--although limiting the federal powers--provides for a federal executive, an assembly, and a separate judiciary and places the federal security forces in the hands of the chief of the federation, who is authorized to communicate with "foreign powers in Africa" insofar as special agreements with France and the community permit. The draft allows for new members and for secession.

This agreement between important elements of the two leading parties of French tropical Africa is a substantial victory for those who favor a supraterritorial regional organization. Its achievement seems certain to heighten the

serious rift which the federation issue has already produced in the largest African party--the African Democratic Rally (RDA)--and to contribute to the undermining of the position of pro-French party **president** Houphouet-Boigny. He is already under increasing attack in his home bailiwick of the Ivory Coast.

The existence of the new federation is likely to encourage proponents of a similar organization in French Equatorial Africa who have for the time being, however, settled for a "coordinative association" of that area's four republics. Furthermore, Guinea, independent since rejecting the De Gaulle constitution last September, and the trust territory of Togo, which is to become independent in 1960, might eventually merge with the Mali groupings.

For the present, the new federation can be expected to remain within the new French Community. Most of the African nationalists who are forming the Mali Federation, however, have not disguised their intention eventually to take advantage of the community's provision enabling a member to become fully independent when it chooses.

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PART III

PATTERNS AND PERSPECTIVES

AUSTRIAN POLITICS AND NEUTRALITY

Vienna's interest in recent Soviet moves vis-a-vis Finland and Berlin reflect an underlying uneasiness with which Austria regards its own future as a similarly exposed area on the Western borders of the Communist bloc. Compared with Finland's, Austria's political situation--even in an election year--is relatively stable, and its economic and international position is strong. Nevertheless, the possibility cannot be excluded that Vienna may at some point find itself in a "Finnish situation" primarily of its own making, and there have been some signs recently of Soviet pressures on Austria not unlike those put on Finland.

Foreign Policy Uncertainty

Of the reasons for the Austrian concern over the political outlook, one of the most important is the continuing uncertainty over the demands both East and West may make on Austria's neutrality. While most Austrians are agreed on the fundamentals of Austria's pro-Western policy, domestic politics--particularly the maneuvering of Chancellor Raab--have tended to play an increasingly larger role in its implementation. Essentially partisan and opportunistic reasons appear to have influenced the more disturbing developments of Austria's foreign policy during the past year--the sharp increase in official and cultural exchanges with the bloc, Raab's persistent efforts to mediate East-West issues, his toadying performance during his midyear visit to Moscow, and his agreement to take Austria into the bloc-dominated Eastern Danube Commission.

That some of the commitments of recent months will fall due during the 1959 election campaign may prove unfortunate. The bill authorizing Austria's adherence to the Danube commission is expected to be submitted to Parliament this spring and could coincide with an increase in East-West tensions over the Berlin issue. There are several outstanding invitations for visits between top Austrian and bloc officials--including an expected trip by President Schaerf to Moscow and visits to Vienna by Premier Khrushchev and Defense Minister Malinovsky. A serious test of Austria's neutrality is expected in July when the Communist-front World Youth Festival is scheduled to convene in Vienna despite the increasing opposition to the conference on the



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part of Austria's non-Communist youth organizations.

The frequency with which problems of this type arise is attributable in part to Vienna's uncertainty over its place in world affairs. As the Berlin

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crisis has developed, for example, Austrians have made clear their conviction that a firm Western stand is essential to Austria's security. While Vienna has often advocated four-power talks on Germany such as those which led to the Austrian State Treaty, a neutral Germany after the Austrian model would cause Vienna great anxiety.

Such objectivity, however, is weakened by the inclination in Vienna to exaggerate both the vulnerabilities and the strengths of its position. Some responsible officials tend to equate Austria's position with that of Finland--despite the greater disadvantages Finland suffers as a result of geography, history, and current economic and treaty commitments. Other officials, who recollect the historic position of Vienna as a central European capital, tend to cast modern Vienna in the role of bridge builder bet

between East and West. Accordingly, Austria's foreign policy is inclined to some extent to oscillate between East and West --and to seize opportunities which may look good at the moment.

Economic Uncertainties

Vienna's tendency toward opportunism has been especially evident in the economic field, where Austria, in comparison with Finland, enjoys many advantages. Although 1958 was not a particularly favorable year, the gross national product has continued to expand, and there is no substantial unemployment.

Reparations payments have proved to be no major burden. Unlike Finland, Austria did not undertake major economic adjustments to fulfill reparations commitments and is not heavily dependent on bloc supplies. Whereas nearly one third of Finland's foreign trade is with the bloc, such trade accounted for less than 15 percent of Austria's world trade in 1957 and, by value, declined considerably during the first half of 1958.

Most Austrians are aware of the perennial payments problems encountered in trade with the East, of the considerable obstacles to any increases in that trade, and of the political dangers that may be involved. Nevertheless, the noisy East-West trade lobby has made substantial inroads on Austrian thinking, and a number of influential businessmen believe it desirable that Austria's Eastern European trade be restored to "traditional" levels --i.e., about 30 percent of total trade.

Increased competition in 1959 in the international export market, enhanced by year-end moves to institute external convertibility of currencies,

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can be expected to increase pressure on the government to look for markets in the bloc, especially in Communist China. The Chamber of Commerce decided in principle last year to establish an unofficial trade mission in Peiping, and implementation of this decision appears to have been delayed only by the increase in East-West tensions over the Taiwan Strait.

As in the case of Finland, where it is generally believed the government's interest in the OEEC was a factor in the Soviet dislike for the Fagerholm cabinet, continued progress toward the closer economic



SCHAERF

integration of Western Europe seems certain to increase Austria's problems in retaining its Western markets. Since some 50 percent of Austria's exports now go to the member countries of the European Common Market (EEC), Austrian participation in some form in the EEC is deemed essential.

Past Soviet statements have apparently helped to convince Vienna, however, that full EEC membership is ruled out by the neutrality law, if not by the danger that West German influence in the Common Market would pose a real threat

to Austria as a nation. Vienna's problem now has been further complicated by Soviet statements that bilateral association with the EEC, even of the most tenuous sort, would be considered a violation of Austria's neutrality commitment. Should Austria decide to heed these warnings, it would ultimately face a serious economic squeeze.

Political Uncertainty

Austria's capacity to deal with these difficult external problems would be greater if the future of the government coalition were less doubtful. Since 1945, when the middle-of-the-road People's party and the moderate Socialists formed the first of their four postwar governments, interparty friction, while endemic, has not gotten out of bounds. During the past two years, however, coalition relations have steadily worsened, the elections previously expected in 1960 have been advanced to next October, and there is a strong possibility they may be called as early as May.

The increased difficulty of the coalition government is generally traced to the unexpected victory of the Socialist candidate--Vice Chancellor Schaerf--in the 1957 presidential elections. A heavy blow to Chancellor Raab, who had hand-picked the People's party candidate, Schaerf's victory also resulted in a reshuffle of the Socialist command. In consequence, personal working relationships have suffered, Raab has made a vigorous effort to recoup his lost prestige, and, in effect, both parties for many months have been campaigning for the next elections.

These frictions differ in degree rather than kind from those which previously beset the coalition, but a reconstitution of the present government will be

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more difficult than ever before. Public confidence in the coalition has been shaken by a series of corruption cases in which high officials of both parties have been involved. There may be more revelations of this type during the campaign, which, in any case, is likely to be embittered by the increasing tendency of party leaders to recall the near civil war conditions which prevailed prior to World War II. Moreover, recent signs of life in the moribund right-wing Liberal party renew the old threat that election gains by the Liberals, combined with Socialist losses, might permit the People's party to form a coalition of the right.

Collapse of the coalition would almost certainly usher in a period of political instability which Moscow could exploit as it did in Finland. The coalition formula made possible the gradual reconciliation of the constituent parties which, between World War I and II, engaged in armed combat; it was the essential condition for the restoration of democratic procedures; and it was the basis for Austria's spectacular economic recovery and resistance to Soviet and local Communist pressures during the occupation period. Most observers agree that even now

there is no workable alternative to it.

Between East and West

On balance, Austria has shown a strength and resiliency that it did not seem likely to have at the conclusion of the state treaty in 1955. The present weaknesses of the coalition must be balanced against the continuing reluctance to experiment with dangerous domestic political alternatives; the tendency to run foreign policy risks evident to some extent during the past year must be weighed against the staunch anti-Communism demonstrated during the ten occupation years; and present trade problems must be seen in the context of an Austrian prosperity unknown since World War I.

Austria, however, cannot afford the weaknesses of other countries. Cast again in its historic role as the "eastern marches" of European civilization, Austria's future is also contingent on the strength of the Western alliance at its rear. During the next few months, Vienna can be expected to watch carefully for any signs of weakness in the Western approach to a solution of the Berlin and German problems.

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ECONOMIC PROBLEMS IN THE SUDAN

The Sudanese economic crisis is becoming increasingly critical as harvesting of the record cotton crop nears completion. Thus far the regime of General Abboud has made no more progress in easing the country's economic plight than the previous Khalil government. Although the prices of long-staple cotton have been cut slightly, these cuts have fallen far short of making Sudanese cotton competitive, especially

with Egyptian cottons. Khartoum probably would be receptive to any offers of large cotton barter deals or of participation in Nile River development work. A Soviet economic delegation is scheduled to visit the Sudan in early February.

Crisis in Cotton

The Sudan before March 1957 was relatively stable

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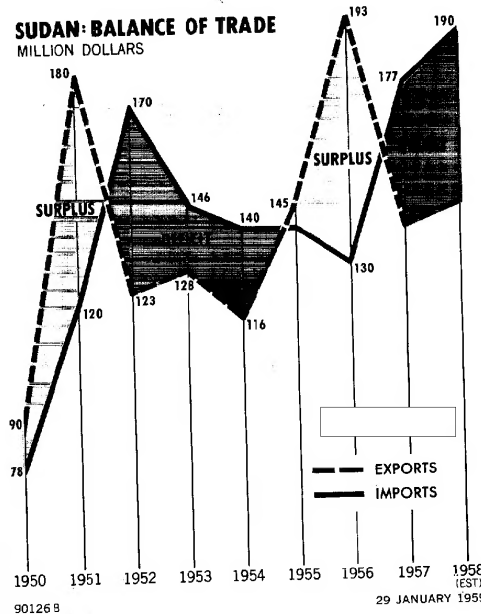
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financially and economically, despite its dependence on cotton sales for about 70 percent of government revenue. Heavy Soviet-bloc purchases of Egyptian cottons during 1956 and early 1957, however, led Sudanese marketing authorities to believe that a large market remained in the free world which could be supplied only by the Sudan. As a result, Khartoum increased prices for long-staple cottons almost 46 percent.

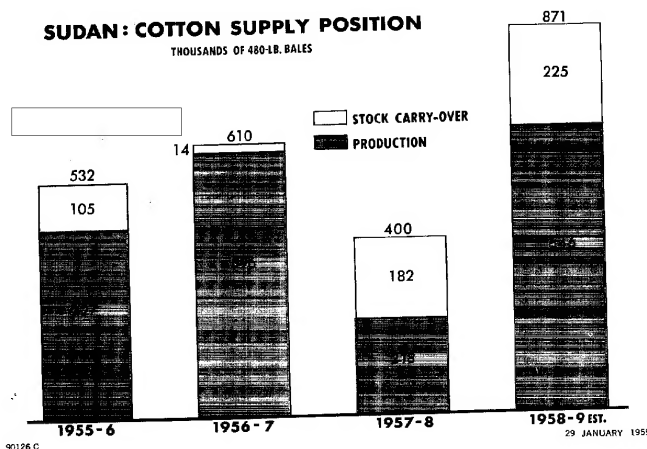
The government, however, miscalculated the general world cotton situation, which was and is one of oversupply, and unexpected buyer resistance almost immediately set in. Sales in 1957 were only about half the 1956 total. Despite this the government did not cut prices enough to stimulate demand, and the Sudan ended the 1957-58 marketing season with the largest carry-over of stocks in its history, 182,000 bales.

The cotton crop in 1957-58 ended in near disaster, with only about 218,000 bales harvested compared with about 596,000 the previous season. This small crop, while preventing a further large increase in stocks on hand, nevertheless worsened the government's economic plight because of a sharp drop in revenues.

SUDAN: BALANCE OF TRADE
MILLION DOLLARS

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The present marketing season--March 1958 to March 1959--began with 400,000 bales on hand, and some price cuts were made--again too little, too late. Rather than reducing cotton prices sufficiently to meet Egyptian competition, the Sudan attempted some marketing innovations, none of which was successful. As a result, the Sudan probably will sell less than 175,000 bales this season--as compared with 528,000 bales exported in 1956--and will carry over about 225,000 bales into the 1959-60 sales season.

SUDAN: COTTON SUPPLY POSITION
THOUSANDS OF 480-LB. BALES

In addition to this carry-over--still larger than the previous year's record figure--the cotton crop now being harvested may reach about 646,000 bales. This would produce a total marketable supply of about 871,000 bales--more than double last year's. Marketing prospects for the 1959-60 season are not likely to be good unless

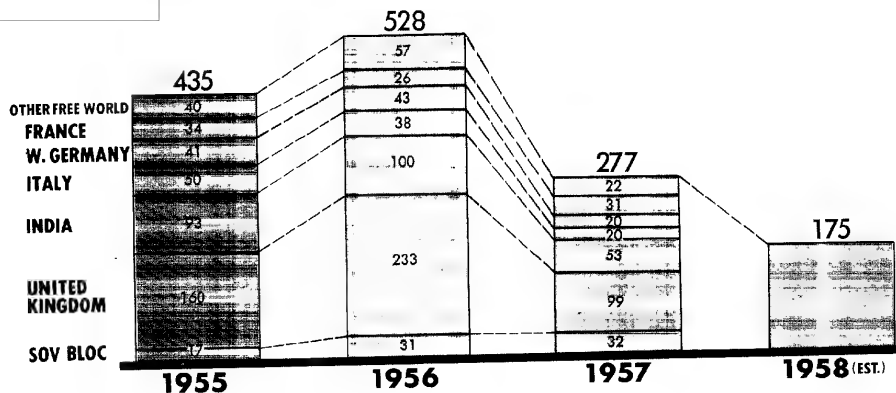
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SUDAN: COTTON EXPORTS BY DESTINATION

THOUSANDS OF 480-LB. BALES



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the government sells a substantial portion of its crop to the bloc and cuts prices sharply.

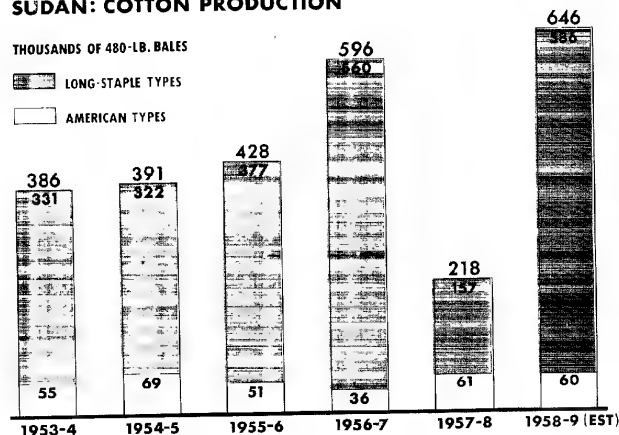
While Abboud believes barter deals provide no solution to his country's long-term marketing problem, the government has approved barter in principle for short-range benefits. A number of relatively small deals have been signed with Sino-Soviet bloc countries, although none as yet with the USSR. Under present circumstances, the Sudan probably will be receptive to large barter offers from the Soviet economic delegation scheduled to arrive in the Sudan late in January. In 1957, the last full year for which data are available, Communist bloc countries purchased about 32,000 bales from the Sudan--approximately 12 percent of total Sudanese sales--and their purchases for 1958 probably were of the same magnitude.

Although Sudanese marketing policies are chiefly responsible for the cotton situation, a number of outside factors are also adversely affecting long-staple cotton sales. The free world production of long-staple cotton in 1956-57 was about 1,386,000 bales, while consumption amounted to only about 857,000 bales. Thus, about 529,000 bales were surplus and had a depressing effect on prices. Under the most favorable conditions, it is extremely unlikely that an equilibrium condition between supply and demand--even

SUDAN: COTTON PRODUCTION

THOUSANDS OF 480-LB. BALES

LONG-STAPLE TYPES
AMERICAN TYPES



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at substantially lower prices --can be reached before 1965.

Two other factors also have a depressing effect on the Sudanese economy. These are the increasing competition from synthetic fibers and from American-type cottons. During the Suez crisis, for example, Britain shifted from Egyptian and Sudanese extra-long-staple cottons, which were high priced and in short supply, to the longer staple varieties of short-staple American cottons. In this instance American-type cottons selling for between 37 and 42 cents per pound replaced Sudanese cottons selling for about 48 cents.

Economic Development

Shortly after the 17 November coup, the new Sudanese



Government announced plans for a five-year \$345,000,000 economic development program aimed principally at raising the country's income from agriculture. From its own resources, despite increased taxation and economy measures, the Sudan estimates it will be able to provide only about \$85,000,000. It will thus require outside assistance amounting to about \$260,000,000.

Soon after the plan was announced, Sudanese Foreign Minister Ahmad Khayr broadly hinted for substantial American economic aid. In recent weeks Khartoum has received \$10,000,000 from the Development Loan Fund and \$20,600,000 in other US aid. In addition, it has obtained a \$39,000,000 loan for railway development from the International Bank, drawing account of \$5,000,000 from the International Monetary Fund, and an \$8,600,000 loan from the British-owned Barclay's Bank. Recently the government has also negotiated a \$10,000,000 deal with a British-German consortium to finance the Sennar Dam power project.

The most ambitious Sudanese development project is the proposed Roseires Dam, estimated to cost between \$86,000,000 and \$115,000,000. Khartoum has failed several times in its attempts to obtain support from London and Washington for this project; they both consider a solution to the Nile waters question a necessary prerequisite. It has also approached a German-Italian consortium.

Despite these obstacles, the Abboud government insists it intends to begin construction on the dam this year. Khartoum probably would react favorably should the Soviet economic mission offer to construct the dam.

Economic Relations With Egypt

Economic relations with Egypt continue to be at least as

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strained under the Abboud regime as under the previous Khalil government. The major cause of friction continues to be the dispute over the Nile waters, and the new government has thus far shown no more inclination to solve the dispute on Egyptian terms than had Khalil.

The new government also blames Egypt for its inability to sell cotton, claiming that Cairo has consistently under-

sold the Sudan in its traditional Western markets. During a recent unsuccessful selling tour through Europe, a Sudanese delegation repeatedly faced buyers who had already made their purchases at lower prices from Egypt. On a local, but perhaps more irritating level, the Egyptian boycott of Sudanese goods apparently still has not been fully lifted, despite UAR President Nasir's assurances. (Continued in by ORR)

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KADAR AND THE REBUILDING OF HUNGARY

In his New Year's message to the Hungarian people this year, President Istvan Dobi stated that "once again we can claim and feel the nation to be strong, united in a politi-



KADAR

cal sense, with humanitarian sentiments as well as confidence." This allegation of Hungarian well-being conveys an image of Hungary as a typical Communist satellite. Both

Hungary's problems and the policies party First Secretary János Kadar has advanced to meet them are quite different from those in most of the other Eastern European satellites. Dobi's statement is nevertheless an accurate reflection of the regime's objectives since the 1956 uprising. Although he has exaggerated the current situation, some notable successes have been achieved in meeting these objectives.

General Objective

The Hungarian regime's over-all objective has been to rebuild a functioning economic-political unit from the ashes of revolt-torn Hungary. Toward this end the regime has been restricted by the doctrinal necessity to find an external explanation for the "counterrevolution"--that it was a Western, imperialist plot aided by the "treason" of Imre Nagy and his group.

Kadar is a "moderate" Communist who was jailed by Stalinist

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former party boss Matyas Rakosi in the wake of Hungary's 1949 "Titoist" show trial of Laszlo Rajk. He was readmitted to the ruling circles during the thaw that followed the Soviet 20th party congress. Probably because he was faced with the prospect of a non-Communist Hungary if the 1956 revolt succeeded, Kadar sided with the Russians and their armed intervention, regardless of the quisling onus which he surely knew would be attached to his name. During his subsequent stewardship, Kadar has trod a tenuous "centrist" course between acknowledging the "treason" of Nagy--despite his own complicity in it--and energetically condemning the "errors" of Rakosi.

Public Acceptance

More specifically, the Kadar regime needed a substantial degree of public acceptance, if not popular support. This objective has been complicated by the necessity to punish those who had fought actively against the regime during the revolt. The punitive process was concluded for all practical purposes last winter, but the jailing of non-Communist intellectuals and politicians extended well into the summer of 1958.

The regime has managed to raise the standard of living and to make available a wide range of consumer goods. At the same time, it has refrained from using police or other administrative pressure to enforce some of the harsher policies of the Rakosi era, such as collectivization of private farmers and elimination of small businessmen--large numbers of whom renewed their business activities during the revolt. Kadar has scored at least some limited success in obtaining popular

acceptance; for example, the national and local elections on 16 November were not openly boycotted and did not occasion significant public disturbances. According to some reports, many Hungarians consider Kadar's regime the best that can be expected and feel any change of leadership would be for the worse.

Economic Recovery

Kadar also had to get the Hungarian economy back on its feet, a problem complicated by the fact that previous Stalinist economic policies had produced many uneconomical industries which used raw materials unavailable in the country. Khrushchev's specialization program under the bloc's Council for Mutual Economic Assistance (CEMA) probably gave the regime hope of an eventual solution to the problem, but in the meantime there were more important matters to be attended to. Hungarian workers had proved to be the most stubborn supporters of the revolution, and, by the end of 1956, production had come to a complete stop. Furthermore, Kadar had to finance the acquisition of consumer goods.

Kadar coerced the workers back to the factories, dissolved their revolutionary organizations, and re-established the organs of industrial control commonly in use throughout the bloc. He also borrowed vast sums of capital from other members of the bloc--a total of \$357,000,000, primarily from the USSR--to make up the losses suffered by the economy during and immediately after the revolt. He also allowed the private sector to stay in business, however, thereby providing a profitable source of production. The necessity to begin repaying

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loans from the bloc this year will probably protect the private sector from liquidation in the immediate future.

Kadar's economic policy--akin to Nagy's "new course"--has raised Hungary's industrial production above prerevolt levels.

Rebuilding the Party

Perhaps Kadar's most difficult task was to rebuild the virtually demolished Hungarian Workers' party. Consistent with his "centrist" approach to policy matters, he eliminated extremists of both the left and right. Rakosi supporters were forbidden to hold public office and the Nagy group, after its arrest in 1956, was generally disposed of by "judicial" means--with some notable exceptions. At the June 1957 party conference, however, it became apparent that opposition to Kadar's leadership and policies had coalesced within the party. The opposition



APRO

clique, headed by party secretary Karoly Kiss and Deputy Premier Antal APRO, favors a harder line approach, and reportedly has the support of a large number of the party's local

functionaries who received their jobs during the Rakosi era.

Kadar considered his party task important enough to



KISS

step down from the premiership in January 1958 in order to devote more time to it. Despite the existence of an opposing group, he apparently has scored some success: after using the election campaign to commit the party publicly to a continuation of his "moderate" policies for the next two to three years--a clear reflection of the strength of his position--he introduced a resolution at a December central committee plenum calling for a party congress during the second half of this year

Before congresses are convened, Communist party leaders normally take measures to remove serious factional threats; thus personnel shifts in the party and government reflecting Kadar's moves against his opponents will probably occur between now and the congress.

International Acceptance

Kadar's other important task was to gain international

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acceptance for his regime. The general revulsion experienced in the non-Communist world over the Russian suppression of the rebellion and over Kadar's role in it was reflected in Hungary's foreign relations. Hoping this revulsion would die down in time, the regime has tried to keep out of the international limelight and carry on normal diplomatic relations wherever possible.

Impediments

Kadar has not always been able to carry his policies out, however. From time to time, special situations have demanded special tactics which produced results counter to Kadar's longer range goals.

Western action in the United Nations has kept the Hungarian issue alive despite the bloc's wishes. The UN General Assembly has passed a resolution condemning Hungary and the USSR at each of its sessions since the revolt, and it has maintained a special committee to evaluate the revolt and keep an eye on subsequent events. In June 1957 this committee concluded that the revolt had been a genuine, spontaneous national uprising; a supplementary report in July 1958 documented the regime's punitive actions against the rebels.

Although the General Assembly has neither accepted nor rejected the Hungarian UN delegation's credentials--which in effect allows the delegation to participate fully in the organization's activities--outright rejection has been a continuing possibility. Hungary's defense in the UN has been a counterattack against the West for its "attempt to overthrow the regime by insti-

gating the 1956 revolt." This position has naturally exacerbated Hungary's foreign relations with the non-Communist world.

Since a challenge to Hungary's UN membership did not materialize at the last session of the UN General Assembly, the Kadar regime will probably become more amenable to an improvement in relations with the United States and other Western governments. This likelihood is supported by the failure of the regime to press its attack against the United States during the UN session, by its recent quick and conciliatory reaction to a change in the US visa policy toward Hungarian diplomats, and by its request in January for better relations with Yugoslavia.

Another irritant to Hungary's international relations is the activities of its more than 200,000 refugees, who are spread all over the world. These persons have attacked Hungarian diplomatic installations or in other ways have disturbed the Hungarian Government, which in response has delivered offensive notes of protest. The overzealousness of some Hungarian diplomats and their activities aimed at redempting Hungarian refugees have particularly hurt relations with Austria, Switzerland, and France.

Ties With Yugoslavia

Perhaps the most formidable obstacle between Kadar and his objectives has been the renewed dispute between Yugoslavia and the bloc. By placing the status of all of Hungary's rightist Communists, including Kadar himself, in question, the dispute has obstructed Kadar's efforts to restore party unity and undoubtedly has raised questions in Moscow as to the suitability

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of retaining as Hungarian party leader a man of questionable reliability, in view of his "tainted" past.

The cumulative effect has been to place Kadar and his policies in question at a time when he needs all the authority he can muster to rebuild the party and to encourage factional activity by his Stalinist opposition aimed at his removal. The execution of Nagy intensified the problem because it brought back the memory of the show trials and purges which accompanied the bloc's split in 1949 with Yugoslavia and suggested the return to the use of executions as a method of party control.

Kadar has emerged with Moscow's support, but his behavior indicates that his relationship with Belgrade is still unusual. This problem is apt to continue, for although the Hungarians have thus far remained on the sidelines in the dispute, the Kremlin will probably demand from Budapest an increasing number of anti-Yugoslav measures.

Soviet Interests

The overriding consideration in the determination of Hungarian policy is the attitude of the Kremlin. At present, the interests of Hungary and the USSR appear to be identical. Hungary is a dramatic symbol of Soviet imperialism which the Russians would like the world to forget as quickly as possible, and Kadar seems to be successfully aiding this aim. Accordingly, Khrushchev demonstrated

his personal support for Kadar at least three times in 1958--most obviously during his April visit to Budapest.

It is apparent from his effectiveness during the past two years that Kadar does not fit the often accepted stereotype of a puppet whose chief asset is his subservience to the USSR. Despite the logic of his internal policies, it takes a man of some ability to implement them successfully at a time when many of the other satellites are pressing on with the "completion of socialism."

Kadar's usefulness to Moscow has largely been dependent on the fact that by virtue of his past "Titoist" associations and relatively moderate political outlook, he was likely to be the most effective executor of the policies necessary for the rebuilding of Hungary. When the time comes that sufficient internal control and stability in the party have been regained, however, Moscow will want to step up the "building of socialism" in Hungary and jettison those ameliorative policies--especially in the spheres of agriculture and small-scale private enterprise--now being pursued by Kadar.

When this point is reached--and there are indications that it may not be far off--Kadar will no longer be useful to Moscow as Hungarian party chief and will probably be replaced by a man such as Karoly Kiss, whose outlook would be more in consonance with the internal policy changes desired by Moscow.

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